



Texas School Coalition

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Prior Year vs. Current Year Values

The current school finance system requires Chapter 41 school districts to pay recapture based on the property values from the prior year divided by student attendance in the current year. Similarly, state aid entitlements for districts that do not pay recapture are calculated based on prior year values and current year student counts. The use of prior year values makes much more sense than using values from the current year, which some have recently proposed.

Prior year values allow districts to know what's coming.

- Prior year values are reliable because they've been through the state Property Value Study and appraisal appeals process.
- Prior year values help districts predict what they will owe in recapture payments.
- Predictability matters because recapture-paying districts rely almost entirely on property taxes for funding.

The current system ensures districts can meet their obligations.

- Districts count on "lag money," which is the difference between available revenue based on a school finance system that relies on property values from the prior year and one that would rely on values from the current year.
- Districts count on lag money to help fund operations, especially when enrollment grows.

The use of current year values would be impractical for school districts.

- School districts would have to prepare budgets without knowing the property value that will be used to calculate recapture for the coming year.
- Using current values would not allow time to settle appraisal appeals prior to budget adoption in some districts. Those appeals have a direct impact on the amount of resources available to districts, and district revenue estimates may be less accurate.

A change to current year values would create a one-time savings at schools' expense.

- Changing to current year is projected to save the state \$1.8 billion.
- Local schools would have to make up that \$1.8 billion or reduce funding at a time when the state's share of education funding is already declining.

Current year values would create uncertainty for legislative budget writers as well.

- Legislators have historically used prior year values so they have more accurate information when writing two-year budgets. Otherwise, they wouldn't have preliminary values for either year while writing the budget.
- Without predictability in property values, sizable economic swings could force legislators to spend billions of dollars to fill holes with supplemental budgets.